



SB 273 HOSPITAL ASSESSMENTS FOLLOW UP

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: RUSSELL FRANSEN

ISSUE BRIEF

SUMMARY

The Hospital Provider Assessment Special Revenue Fund, created by SB 273 *Hospital Assessments*, received \$329,700 or 4.2% less than anticipated in FY 2010 and 1.2% or \$374,600 more than anticipated in FY 2011. This issue brief summarizes the actual and projected revenues as compared to the estimated fiscal note for Senate Bill 273 *Hospital Assessments* from the 2010 General Session. This brief is for informational purposes only and requires no Legislative action.

DISCUSSION AND ANALYSIS

What is SB 273?

Senate Bill 273 *Hospital Assessments* from the 2010 General Session allows privately-owned hospitals to pay an assessment from FY 2010 through FY 2012. The Department of Health uses the assessment to raise inpatient hospital reimbursement. The original fiscal note estimated a net increase of revenues of \$31,118,100 in FY 2010, \$95,354,300 in FY 2011, and \$86,630,500 in FY 2012. Net revenues change because of the changes in federal matching rates.

Medicaid payments to hospitals increased \$293,300 or 1% more than anticipated in FY 2010 and \$6,712,900 or 5% more than anticipated in FY 2011. The upper payment limit calculation determines the amount of net reimbursements available. The amount that Medicare would pay for all inpatient hospital services determines the upper payment limit for Medicaid. The amount of the assessment is the match needed to draw down the maximum amount of federal money above what the State General Fund funded rates bring. The amounts previously paid in fee-for-services inpatient hospital days determine how much money each hospital receives. Hospitals that provided services to less than 300 Medicaid clients in FY 2008 under the Select Access program receive an additional payment. For FY 2010, 24 hospitals qualified for the less than 300 Medicaid clients bonus.

In FY 2011 the Department of Health received \$2,000,000 of the assessment to offset Medicaid mandatory expenditures. In FY 2012 and FY 2013 the Department receives \$1,000,000. The Department opted to not assess an optional \$1,000,000 for the reduction in hospital outpatient rates.

Fiscal Note vs. Actual Results

The SB 273 fiscal note estimated \$39,000,000 total funds for FY 2010 and \$130,335,400 total funds for FY 2011. Actual expenditures exceed estimates in FY 2010 and FY 2011 by \$293,400 or 0.8% and 0.9% or \$1,156,200 respectively. The table above shows the actuals vs the fiscal note estimates.

SB 273 - Original Estimates vs. Current Results			
FY 2010	Fiscal Note Estimates	Actuals/ Estimates	Above/(Below) Estimates
Federal Funds	\$ 31,118,100	\$ 31,741,200	\$ 623,100
Restricted Funds	\$ 7,881,900	\$ 7,552,200	\$ (329,700)
Total Funds	\$ 39,000,000	\$ 39,293,400	\$ 293,400
FY 2011*			
Federal Funds	\$ 98,440,700	\$ 99,222,300	\$ 781,600
Restricted Funds	\$ 31,894,700	\$ 32,269,300	\$ 374,600
Total Funds	\$ 130,335,400	\$ 131,491,600	\$ 1,156,200
*FY 2011 adjusted for the \$1,000,000 restricted funds added in the 2011 General Session.			

How Many Hospitals are Affected by SB 273?

The legislation's definition of privately-owned hospitals results in 43 or 83% of 52 Utah hospitals subject to the assessment. Of the 43 hospitals paying the assessment, 18 or 43% are for-profit organizations. On a hospital-by-hospital basis, the assessment results in a net gain in revenues for 32 hospitals and a net loss for the remaining 11 hospitals (10 of these 11 receive no supplemental payments). Individual impact ranges from a loss of \$46,800 for Highland Ridge hospital in Midvale to a gain of \$4,011,200 for Dixie Medical Center in St. George. For the net impact by hospital of the 2010 hospital assessment, please see the table on the next page.

Implementation History

The Department implemented quarterly hospital assessments on May 11, 2010. It retroactively assessed hospitals beginning January 1, 2010. For the second half of FY 2010, the Department collected \$7,552,200, which it matched with \$31,741,200 federal funds. The Department provided the revenue to the hospitals on a quarterly basis in the form of supplemental Medicaid payments.

Before factoring in the rate increases from the hospital assessment, inpatient hospitals saw an 11% decrease in base rates in FY 2010 and another 14% reduction in FY 2011. The assessment raised net reimbursements for hospitals by 11% or \$24,189,000 in FY 2010 and 27% or \$66,953,000 in FY 2011.

Hospital Policy Review Board

SB 273 created a Hospital Policy Review Board to review Medicaid state plan amendments that have an impact on hospital reimbursements. The legislation requires the Department of Health to submit proposed amendments to the Board for review before submitting the change to the federal government. The Department indicates that it "has been working with the Utah Hospitals and Health Systems Association (UHA) to encourage names be submitted to the governor, president of the Senate, and speaker of the House in order to form this board. In the interim, the Department has submitted proposed State Plan amendments (SPA) to UHA for review. As of August 2011, UHA has not provided any feedback to the Department on proposed SPAs. The Department continues to collaborate with UHA to fulfill the requirements of the statute."

Other States and Provider Assessments

As of FY 2010, forty-two other States had at least one Medicaid provider assessment. "The Health Management Associates [Medicaid Budget Survey](#) as reported October...2009...shows 26 states taxing hospitals, 11 states taxing managed care organizations, 31 states/district taxing Intermediate Care Facilities/Mental Retardation, 37 states/district taxing nursing homes, 4 taxing pharmacies and 2 taxing Residential care and day rehabilitation providers (National Conference of State Legislatures, <http://www.ncsl.org/default.aspx?tabid=14359#ProviderTax>, accessed May 7, 2010)." Utah is one of a majority of States which tax nursing homes and Intermediate Care Facilities/Mental Retardation. The federal government limits assessments on any provider to 5.5% of net operating revenues.

What About Publicly-owned Hospitals?

Of Utah's 11 publicly-owned hospitals, one of them receives money through supplemental inpatient hospital upper payment limit. A publicly-owned hospital can receive these payments based upon obtaining federal approval. The Medicare upper payment limit principles and the details approval by the federal government determine total amount of payments possible. In Utah, the recipient hospitals provided 100% of the needed match in FY 2011 for all extra payments received.

Private Hospitals - FY 2010	Assessment Paid	Increased Payment Received	Payment Above/(Below) Assessment
Alta View	\$199,700	\$299,000	\$99,300
American Fork	\$246,100	\$537,900	\$291,800
Ashley Valley Medical Center	\$53,400	\$472,300	\$418,900
Aspen Institute for Behavioral Asses.	\$4,200	\$0	(\$4,200)
Bear River Valley	\$11,100	\$90,500	\$79,400
Benchmark Behavioral Health System	\$1,800	\$0	(\$1,800)
Brigham City Community	\$33,800	\$454,500	\$420,700
Cache Valley Specialty	\$23,200	\$54,200	\$31,000
Castleview	\$88,800	\$824,700	\$735,900
Center for Change	\$1,300	\$0	(\$1,300)
Central Valley Medical Center	\$34,300	\$382,700	\$348,400
Christus Marian Center	\$9,000	\$0	(\$9,000)
Davis Hospital & Medical Center	\$311,200	\$541,100	\$229,900
Delta Community	\$12,400	\$193,800	\$181,400
Dixie Regional Medical Center	\$520,300	\$4,531,500	\$4,011,200
Fillmore Community	\$10,200	\$107,900	\$97,700
Healthsouth Rehab Hospital of Utah	\$30,600	\$0	(\$30,600)
Heber Valley Medical Center	\$22,500	\$247,000	\$224,500
Highland Ridge	\$46,800	\$0	(\$46,800)
Intermountain Medical Center	\$879,800	\$3,592,300	\$2,712,500
Jordan Valley Medical Center	\$528,500	\$3,120,700	\$2,592,200
Lakeview	\$168,600	\$353,300	\$184,700
LDS	\$409,500	\$1,127,300	\$717,800
Logan Regional	\$222,200	\$2,731,200	\$2,509,000
McKay-Dee Hospital Center	\$634,400	\$2,409,700	\$1,775,300
Mountain View	\$174,500	\$905,000	\$730,500
Mountain West Medical Center	\$69,100	\$469,900	\$400,800
Ogden Regional Medical Center	\$348,800	\$1,184,600	\$835,800
Orem Community	\$52,700	\$214,900	\$162,200
Orthopedic Specialty	\$46,500	\$15,700	(\$30,800)
Primary Children's Medical Center	\$451,600	\$4,315,100	\$3,863,500
Promise Hospital of Salt Lake	\$14,300	\$0	(\$14,300)
Salt Lake Regional Medical Center	\$205,500	\$528,100	\$322,600
Sanpete Valley	\$24,500	\$398,800	\$374,300
Sevier Valley Medical Center	\$33,900	\$414,300	\$380,400
Silverado Senior Living - Aspen Park	\$8,900	\$0	(\$8,900)
South Davis Community	\$3,800	\$0	(\$3,800)
St. Mark's	\$548,000	\$2,390,000	\$1,842,000
Timpanogos Regional	\$206,800	\$623,000	\$416,200
Uintah Basin Medical Center	\$59,200	\$760,500	\$701,300
Utah Valley Regional Medical Center	\$686,400	\$3,851,000	\$3,164,600
Utah Valley Specialty	\$12,000	\$0	(\$12,000)
Valley View Medical Center	\$102,000	\$1,150,900	\$1,048,900
Totals	\$7,552,200	\$39,293,400	\$31,741,200